SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1983

Saskatchewan Grain Car Corporation

December 8, 1983
Regina, Saskatchewan

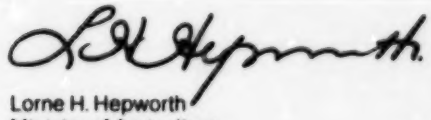
To His Honour
the Honourable Frederick Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1983, including the financial statements therefore, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Sir,

Your obedient servant,



Lorne H. Hepworth
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Lorne Hepworth, Weyburn

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1983

The crop year 1982-83 marks the third year of operation for the Saskatchewan Grain Car Corporation.

The full complement of 1,000 Saskatchewan Grain Car Corporation hopper cars was on line in the Western Division during the 1982-83 crop year. Saskatchewan Grain Car Corporation had 477 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP lines was based on the total bushels handled by each carrier in the 5 year period from October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 crop years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1982-83 crop year.

The Corporation's office is in Melville, Saskatchewan. The office is operated by two staff members: Fleet Superintendent Don Shawaga, and secretary Sandra Konechny.

The Corporation's computerized car monitoring system has the ability to monitor the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

Twenty-three hopper cars were involved in derailments and other mishaps during the 1982-83 crop year. Twenty of these cars were repaired by the railroads to original construction standards prior to July 31, 1983. The remaining three cars will be repaired and returned to active service by late fall, 1983.

The following charts compare grain movements by Saskatchewan Grain Car Corporation's fleet in the 1982-83 and the 1981-82 crop years. The fleet moved 33 380 tonnes (+2.5%) more grain in 1982-83 than in 1981-82. This increased movement occurred since a portion of the hopper car fleet was not yet delivered at the beginning of the 1981-82 crop year. Labour problems at some ports during the latter part of 1982 hampered grain movement in the 1982-83 year. No cars moved to Churchill due to the inability of this line to handle hopper cars.

Grain Transported	**1982-83** (tonnes)	**1981-82** (tonnes)
Spring Wheat	833 260	738 050
Durum	113 960	115 850
Oats	13 550	14 230
Barley	276 010	316 770
Rye	15 000	25 580
Flax	18 000	21 240
Rapeseed	73 970	78 650
	1 343 750	1 310 370

Saskatchewan Grain Car Corporation

Destinations	1982-83 (number of trips)	1981-82 (number of trips)
Thunder Bay	9,114	9,507
Vancouver	7,418	6,680
Prince Rupert	813	725
Inland Mills and Feed Plants	377	423
	17,722	17,335

Average turnaround time from producing territories to the ports was 21 days for the hopper car fleet in the 1982-83 crop year. This average was based on 19 days for turnaround to Thunder Bay, 24 days for Vancouver, and 27 days for Prince Rupert. The longest car cycles were charted from mid-November to May with a range of 23-39 days during this period. The average car cycle for the remainder of the year ranged from 15-18 days.

Fifty per cent of the loading into Saskatchewan Grain Car Corporation hopper cars originated in Saskatchewan, 38% in Alberta, 11% in Manitoba and 1% in British Columbia.

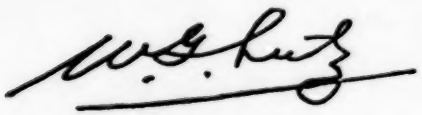
Saskatchewan Grain Car Corporation

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1983 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1983 and the results of its operations for the year then ended in accordance with the stated accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.
Provincial Auditor.

Regina, Saskatchewan
August 26, 1983.

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

For the Year Ended July 31, 1983

Operating Fund

ASSETS	1983	1982
Current Assets		
Cash	$ 630	$ 8,786
Short-term investments, at cost	58,000	29,000
Accounts receivable		
— grant — Department of Agriculture (Note 1(a) and 4)	—	2,319,519
— accrued interest on short-term investments	94	223
	$ 58,724	$ 2,357,528
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable		
— interest — Heritage Fund (Note 4)	$ —	$ 2,354,628
— accrued expenses	1,100	2,900
Surplus — Statement 2	57,624	—
	$ 58,724	$ 2,357,528

Capital Fund

ASSETS		
Current Assets		
Cash	$ 9,289	$ 3,903
Short-term investments, at cost	4,285,663	3,530,364
Accounts receivable — accrued interest on short-term investments	14,550	32,162
	4,309,502	3,566,429
Fixed Assets (Note 1(b) and 3)	54,214,423	54,509,171
Less valuation allowance (Note 1(a))	3,666,660	1,833,330
	50,547,763	52,675,841
	$ 54,857,265	$ 56,242,270
LIABILITIES AND EQUITY		
Long-term loan from the Heritage Fund (Note 4)	$ 51,333,340	$ 53,166,670
Surplus — Statement 2	3,523,925	3,075,600
	$ 54,857,265	$ 56,242,270

(See accompanying notes to the financial statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure and Surplus

For the Year Ended July 31, 1983

	Capital Fund (Note 1)	Operating Fund (Note 1)	Total 1983	Total 1982
REVENUE				
Grant — Consolidated Fund — Department of Agriculture	$ —	$ 6,667,341	$ 6,667,341	$ 9,200,824
Hopper Car — Rental revenue	—	11,850	11,850	56,294
Interest on short-term investments	448,344	1,476	449,820	1,194,416
	448,344	6,680,667	7,129,011	10,451,534
EXPENDITURES				
Salaries	—	65,939	65,939	55,532
Board of Director Expenses	—	255	255	12,673
Administration Expenses	19	33,567	33,586	150,495
Debt Charges (Note 4) — interest	—	4,689,952	4,689,952	7,206,306
— principal	—	1,833,330	1,833,330	1,833,330
	19	6,623,043	6,623,062	9,258,336
Excess of revenue over expenditure	448,325	57,624	505,949	1,193,198
Surplus, beginning of year	3,075,600	—	3,075,600	1,882,402
Surplus, end of year	$ 3,523,925	$ 57,624	$ 3,581,549	$ 3,075,600

(See accompanying notes to the financial statements)

Notes to Financial Statements

July 31, 1983

1. **Major Accounting Policies**

   a) The accounts of the Corporation will be maintained in three segments.

      i) Capital Fund

         1. The fixed assets of the Corporation are maintained in a Capital Fund. The grain cars are recorded in this Fund along with the offsetting liability to the Heritage Fund, from where the loan was received. The annual principal repayment is included in the statement of revenue and expenditure of the Operating Fund under the caption "Debt charges — principal".

         2. The grain cars are being depreciated in equal annual amounts over a thirty year period.

         3. The Corporation's equity in fixed assets is increased by an amount equal to the principal reduction of long term debt. This amount, however, is offset by the write-off in the value of the assets as explained in 2, resulting in equity in fixed assets being nil.

         4. Interest earned on short-term investments, less related expenses, will be retained until final settlement has been agreed on the purchase of the pool of grain cars.

      ii) Reserve Fund

      All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, no cars have been irreparably damaged and so no transactions have been recorded against the Reserve Fund.

      iii) Operating Fund

      Up to and including March 31, 1983 net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. In the past this grant has been recorded in the Financial Statements on an accrued basis to the extent necessary to offset expenses incurred. Effective March 31, 1983 debt charges and principal repayment terms were significantly changed — see Note 4.

   b) Purchase and depreciation of grain cars:

      i) The purchase of the grain cars is grouped as a 'pool'. Purchase costs of cars, together with transportation and inspection expenses will be capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

      ii) Depreciation will be allowed for as noted above.

   c) Purchase of other fixed assets:

      Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

   d) Operating revenue:

      According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and The Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

2. **Status of the Corporation**

The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979 and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Fixed Assets**

As at July 31, 1983 the final pooled cost has yet to be confirmed by the Canadian Wheat Board. The estimated pooled price for 1,000 cars is as follows:

Purchase of grain cars	$53,044,752
Inspection costs	403,380
Consultancy fees	65,091
Transportation costs	701,200
	$54,214,423

4. **Subsequent Event — Long-Term Loan**

The acquisition cost of the 1,000 grain cars has been financed by a loan from the Heritage Fund as authorized by Order-in-Council 467/81 dated March 24, 1981. The following terms were prescribed in the Order-in-Council:

i) the principal amount of the loan shall be repaid in 30 equal annual instalments of $1,833,333.

ii) the loan will bear interest at 13¼% per annum.

iii) payments of principal and interest are due annually on March 31.

Subsequent to year-end, by Order-in-Council 1164/83 dated August 3, 1983 the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

5. **Related Parties**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

6. **Costs Borne By Other Agencies**

The Corporation's Melville office is located in a government building and accordingly, no rent is paid for the use of this space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.